

## **PLASTIC MARKET DEVELOPMENT PAYMENT (PMDP) PROGRAM**

CalRecycle staff recently developed a set of survey and research questions which were put forth to plastic reclaimers and product manufacturers. Industry input was requested as to how to best manage the PMDP, expend PMDP funds equitably per statute, as well as clarify and further our understanding of:

- Recycled material recovery, sorting, and processing;
- New technologies to recover and process material efficiently and effectively with high yields and lower disposal;
- Identify end use markets and product manufacturers;
- Feedstock specifications required by end users; and
- New products manufactured.

The questions developed included but were not limited to:

1. PMDP claimed must be for post-consumer empty plastic beverage container material generated in California. A main concern for CalRecycle is that material claimed may include out-of-state material or other ineligible material - from whom do you purchase your material?
  - All participants surveyed agreed PMDP should be claimed and paid upon California generated post-consumer beverage container material types only.
  - AB 2020 should be re-examined – recommend other beverage types be included in the program (e.g., HDPE milk jugs). The container is recycled not the beverage contained within.
  - It is recommended that more auditing (verification), enforcement, site and plant visits should be conducted in order to prevent fraud and ensure consistency of PMDP.
2. Other plastic resins or materials may be included in PMDP, what material type do you generally purchase?
  - Dependent upon the plastic reclaimer or product manufacturer, the primary material types claimed and paid PMDP is PET and HDPE plastic generated in California.
  - All plastic reclaimers stated that a consistent, clean and baled plastic material is desired.
  - PET and HDPE plastic bales may contain other plastic resins. Plastic reclaimers must remove these materials from inbound stream.
3. How can we ensure PMDP is funded and paid year round? Proportional reduction throughout the year? How may CalRecycle best manage PMDP, expending funds evenly and fairly?
  - The PMDP should be split evenly each quarter to ensure participants receive funds throughout the year.

- A plastic reclaimer said that if a business relies on PMDP to keep afloat, then it should not be in business.
- Competition for recycled post-consumer empty plastic beverage container material and virgin material among participants is an issue. A number of participants eligible for PMDP have increased competition for the funds.
- It is recommended that to avoid concerns of fraud and ensure consistency of PMDP - auditing (verification), enforcement, site and plant visits should be accomplished regularly.
- Include thermal forming in the PMDP program.
- The program is designed well, but unfortunately the rules are not clear. Clarify and develop sound regulations in support of statute.
- Withhold PMD payments for CY 2013 until CalRecycle clearly defines and develops criteria (regulations) to effectively manage the program and ensure a level playing field. All participants understand and support the PMDP program and support the intent of the statute, which is to incentivize the use of California generated materials to create new products, keeps jobs in California
- Include food packaging in PMDP program; open the program for food grade material – “Close the loop”
- Additional funds for PMDP program are needed. Purchasing material from out-of-state and Mexico increases when PMDP funds are lowered or when no incentive funds remain.
- PMDP should be paid on flake and pellets – do not limit.
- Keep program simple; do not over complicate.
- Loopholes in the PMDP should be found and closed - develop clean, clear definitions, criteria, and eligibility requirements.
- Clarify and define an “End Product”.

#### 4. Problems and/or concerns encountered by participants?

- Clarify and develop sound regulations to effectively administer the PMDP program; remove gray areas which are left to individual interpretation. Close the loopholes.
- Expand PMDP to include other plastic resins, for example mixed resin types (commingled).
- It is recommended to avoid concerns of fraud and ensure consistency of PMDP - auditing (verification), enforcement, site and plant visits must be accomplished.
- Clarify the definition of a plastic end product. Flake? Pellet? Sheeting?
- Clarify the definition of a plastic reclaimer and a product manufacturer.
- PMDP should only be paid to California companies, this keeps jobs in California.
- Imprint on label of new product – “Made with California Recycled Material.” Percent of recycled content
- Views vary among participants (including CalRecycle) regarding the intent of the statute – everyone must have a clear understanding of the program to effectively administer it.

- PMDP must continue – program allows participants to remain competitive within the world market, funds are a leverage for pricing per ton inbound material.
5. What are the criteria to become a Certified Entity (plastic reclaimer) and registered Product Manufacturer?
- Criteria for a Manufacturer - entity purchasing only California generated material; producing end product from flake or pellet; end product has value added, shelf-ready for filling with product.
  - Criteria for a Certified Entity - takes raw (empty beverage containers), sorts, processes, and washes; producing feedstock for a Manufacturer to use in creating a new plastic product; physically handles bales of whole, unprocessed empty plastic beverage container materials.
6. What is considered a new plastic product? Sheeting? Pellets? Shelf ready new product?
- Sheeting should not be considered an end product. Material is not shelf-ready; sheeting requires additional steps (thermoforming) to create a new end product; sheeting is a flat pellet.
  - The final form of the end product should be created in California, using California generated material, keeping jobs in California.
  - End product should be available to a consumer (shelf-ready) with no additional processing required; should have no need for any future heating or forming.
  - An end product, without clarification, leaves a lot up to interpretation; end product should have value added, ready to be filled with a product and sold to consumers, shelf-ready.
  - A product manufacturer states sheet rolls are an end product; flakes and pellets should not be considered an end product. Clarification is required.
  - A loophole exists – the terms “Other Form”. Review current language; close loopholes allowing questionable interpretation of Statute.
  - Pellets are considered raw products – although the value of HDPE pellets is greater than flake. Pellets are not a shelf-ready product, cannot be filled with a product nor are they available to consumers.

7. What is a sound methodology for determining appropriate PMDP? Who should receive PMDP – only plastic reclaimers? Only product manufacturers? Or both?
- PMDP should be claimed and paid to only California businesses.
  - Clarify regulations to help California recyclers keep jobs in California.
  - It was recommended - only product manufacturers claim and receive PMDP, creates competition for plastic reclaimers; encourages product manufacturers to use California generated recycled material to create a new plastic product; keeps jobs in California.
  - It does not matter which participant receives PMDP, plastic reclaimers, product manufacturers or both, as long as the regulations are clear and consistent with the spirit and intent of the statute, and keeping a level playing field for all participants.
  - Participants use PMDP as additional leverage when purchasing inbound material.
8. How may CalRecycle best manage PMDP; expending funds evenly and fairly among participants?
- You are accomplishing the first step – gathering input from industry.
  - It is recommended to avoid concerns of fraud and ensure consistency of PMDP - auditing (verification), enforcement, site and plant visits must be accomplished.
  - Clarify regulations to help California recyclers keep jobs in California. Develop sound regulations to effectively administer the PMDP program; do not leave to individual interpretation.
  - Additional funds appropriated for PMDP program is needed. \$150 per ton is not enough when taking into consideration the increased costs since inception of PMDP, as well as, the increased number of participants since inception.
  - Statute indicates payment to plastic reclaimer or product manufacturer; why are both being paid PMDP? Consider the spirit or intent of the statute.
  - Purchasing material from out-of-state and Mexico increases when PMDP funds are lowered or when no incentive funds remain.
  - All surveyed participants agreed PMDP should be claimed and paid upon California generated post-consumer empty beverage container material types only.
  - Keep program simple – do not overcomplicate.
  - A suggestion was made to develop enforceable Minimum Content requirements for plastic containers thus encouraging the use of recycled material – “Close the Loop”.